

Stock markets dynamics and environmental pollution: emerging issues and policy options in Asia

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Abstract

The fact is the stock market has an asymmetric effect on macroeconomic variables. In this study, we examine the nonlinear stock market reaction to the environment. This is the first study that considers the possibility of asymmetric effects of stock market on environmental pollution in Asia. This study considers the experiences of Asia economies by using the panel NARDL methodology over the data period from 1995 to 2019. The long-run panel NARDL results showed that the positive change in stock market increases carbon emissions. In adverse, the negative change in stock market significantly mitigates the carbon emissions in Asia. The short-run stock market asymmetric effects continued into the long-run asymmetric effects on the environment in Asia. Thus, policymakers and authorities should initiate to promote green financial activities in Asian stock markets.

Keywords

CO2 emissions, Stock market, Asia economies.

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